

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION**  
**OF SOUTH CAROLINA**  
**DOCKET NO.2004-297-S**

IN RE: Application of MIDLANDS                    )  
      UTILITY, INC. For Approval of            )  
      New Schedule of Rates and Charges    )  
      For Sewerage Service Provided to       )  
      Its Customers in Richland, Lexington)  
      Fairfield and Orangeburg Counties    )

**OFFICE OF REGULATORY  
STAFF'S FIRST CONTINUING  
DATA REQUEST**

**TO: FLORENCE P. BELSER, ESQUIRE, WENDY B. CARTLEDGE, ESQUIRE  
ATTORNEYS FOR THE OFFICE OF REGULATORY STAFF**

1.1 Describe the construction and/or upgrades proposed or taking place at Midlands Utility, Inc.

**ANSWER: Construction of modern wastewater treatment facilities at Windy Hill subdivision, Raintree subdivision and Bellemeade subdivision. Also we must close out existing lagoons in accordance with DHEC regulations.**

1.2 With regard to the loan agreement referenced in the Application on page 4 in paragraph 7:

- a. Has the loan been approved and been finalized?
- b. Have the funds from the loan agreement been received?
- c. What is the loan amount?
- d. What is the interest rate?
- e. What is the loan period in months?
- f. Who is the lender?

**ANSWER: Previously furnished to the ORS by Bush River Utilities, Inc. and/or Development Service, Inc.**

1.3 Explain the “conditional” nature of the loan as referenced in the Application on page 4, paragraph 8.

**ANSWER: Previously furnished to the ORS by Bush River Utilities, Inc. and/or Development Service, Inc.**

1.4 List the increased “operating expenses” Midlands Utility, Inc. has “experienced” as set forth on page 2, paragraph 2 of the Application.

**ANSWER: Taxes, interest, depreciation, vehicle expense, professional services, etc.**

1.5 Justify Midlands Utility, Inc.’s “anticipation” that expenses will increase as set forth on page 2, paragraph 2 of the Application.

**ANSWER: In order to comply with the DHEC consent orders, Midlands Utility must upgrade its WWTF. This upgrade will cost approximately one million dollars. The increase of depreciation and interest expense will be the main expense.**

1.6 Provide information on the following:

- a. How many taps have been connected to the systems owned by Midlands Utility, Inc. from inception of the system to the present?
- b. How much revenue from tap fees has been collected from customers from the inception of the system to the present?
- c. What is the maximum number of taps that can be installed on the present system?
- d. How many taps were provided during 2000, 2001, 2002, 2003 and 2004?
- e. How many taps do you anticipate making per year during the next five years?
- f. What were the total costs expended for taps each year during 2000, 2001, 2002, 2003 and 2004?
- g. What were the total costs capitalized for taps for each year during 2000, 2001, 2002, 2003 and 2004?

**ANSWER: This information is in the process of record recovery. Responses will be furnished as soon as the recovery is accomplished.**

1.7 List and describe financing costs referred to in paragraphs 3 of the Application.

**ANSWER: Previously furnished to the ORS by Bush River Utilities, Inc. and/or Development Service, Inc.**

1.8 Explain why completion of the proposed construction will cause rates to exceed the rates charged during construction.

**ANSWER: Same issues and reasons as previously furnished to the ORS by Bush River Utilities, Inc. and/or Development Service, Inc.**

1.9 List the names and business titles of all people who provided information for preparation of the Application.

**ANSWER: Previously furnished to the ORS by Bush River Utilities, Inc. and/or Development Service, Inc.**

1.10 List the names and business titles of all people who provided information for preparation of the Application exhibits. Indicate who calculated the numbers for each exhibit and list the appropriate exhibit next to the individual's name.

**ANSWER: Previously furnished to the ORS by Bush River Utilities, Inc. and/or Development Service, Inc.**

1.11 Provide the beginning and ending dates or estimated beginning and ending dates for the phases of construction.

**ANSWER: Waiting for DHEC approval to provide dates.**

1.12 List the number of residential and commercial customers as of June 30, 2004 and January 1, 2005.

**ANSWER: See Exhibit 1.12.**

1.13 What were officer and employee salaries in 1997?

**ANSWER: See Exhibit 1.13.**

1.14 Where is the performance bond accounted for in the financial information?

**ANSWER: Previously furnished to the ORS by Bush River Utilities, Inc. and/or Development Service, Inc.**

1.15 Provide justification for the rates during and after construction listed in Exhibit 1.

**ANSWER: Information still in discovery for response.**

1.16 Is the state's tax credit for pollution control equipment being claimed by Midlands Utility, Inc. during the test years, during construction and after construction? If so, what

is the tax credit (or expected tax credit) and where is it included in the financial information submitted with the Application?

**ANSWER: Previously furnished to the ORS by Bush River Utilities, Inc. and/or Development Service, Inc.**

1.17 Is the state's tax credit for the construction or improvement of an infrastructure being claimed by Midlands Utility, Inc. during the test year, during construction and after construction? If so, what is the tax credit (or the expected tax credit) and where is it included in the financial information submitted with the Application?

**ANSWER: Previously furnished to the ORS by Bush River Utilities, Inc. and/or Development Service, Inc.**

1.18 List employees employed during June 30, 2000, 2001, 2002, 2003 and 2004 including their position, date of hire, salary hours worked per week, exempt/non-exempt status and duties.

**ANSWER: To be furnished as soon as possible.**

1.19 List state regulatory commission expenses for the test year of 2003 and for 2004 including legal expenses and postage.

**ANSWER: See Exhibit 1.19.**

1.20 Describe in detail all construction and/or current system improvement options Midlands Utility, Inc. researched and why these options were not chosen. Provide detail cost comparison information.

**ANSWER: See Exhibit 1.20.**

1.21 Describe all financial transactions between DSI, Inc., Bush River Utilities, Inc. and Midlands Utility, Inc. for the twelve months ended June 30, 2000, 2001, 2002, 2003 and 2004.

**ANSWER: Previously furnished to the ORS by Bush River and/or DSI.**

1.22 Provide annual expenses for Midlands Utility, Inc. for the twelve months ended June 30, 2000, 2001, 2002, 2003 and 2004 for the following accounts:

- a. salaries & wages
- b. purchased power
- c. purchased sewage treatment
- d. maintenance & repair
- e. chemicals
- f. office supplies & other office expenses

- g. regulatory commission expenses
- h. pension & other benefits
- i. rent
- j. insurance
- k. office utilities
- l. miscellaneous
- m. legal expenses and other professional services

**ANSWER: To be furnished as soon as possible.**

1.23 Provide the balance of accrued interest on customer deposits as of June 30, 2004.

**ANSWER: See Exhibit 1.76.**

1.24 Submit detailed working papers breaking down the “base year” revenue, the “during construction” revenue and the “after construction” revenue of Midlands Utility, Inc.

**ANSWER: To be furnished as soon as possible.**

1.25 What debts or other obligations of Midlands Utility, Inc. generated interest expense of \$2,749.00 for the test year? Please list the amount of interest attributed to each obligation.

**ANSWER: To be furnished as soon as possible.**

1.26 Provide a detailed breakdown for the “Salaries – Other” category containing the amounts \$156,550; \$160,000; and \$160,000, respectively. List the employee’s name, amount paid and to be paid to the employee, and the duty performed by the employee.

**ANSWER: See Exhibit 1.26.**

1.27 What additional debts or other obligations will Midland Utility, Inc. assume or expect to assume necessitating an increase in “interest expenses” to \$35,505 during construction and \$40,485 after construction?

**ANSWER: Additional debt to cover the approximately one million additional construction loan. One half year interest during construction.**

1.28 To what assets and in what amounts does the depreciation expense as shown in the income statement apply? Please identify the useful life of each asset.

**ANSWER: To be furnished as soon as possible.**

1.29 Why does the depreciation expense increase during construction and after construction?

**ANSWER: During construction includes ½ year of depreciation, after construction includes full year depreciation on new construction.**

1.30 Explain the proposed decreases in expense for chemicals and detail how the decreases were calculated.

**ANSWER: New facilities will have UV system thereby reducing amount of chlorine and sulphur dioxide.**

1.31 Provide justification for the proposed decrease in professional services and include detail of the services being provided, including copies of invoices from the service providers for the test year.

**ANSWER: Previously furnished to ORS auditors.**

1.32 What expense are included in utilities? Explain why this amount decreases during construction and increase after construction.

**ANSWER: See Exhibit 1.32. More utility use with new facility.**

1.33 Provide invoices or documentation concerning “rate case expenses”.

**ANSWER: Previously furnished to ORS auditors.**

1.34 What amortization period is being proposed for rate case expenses? Provide justification for the proposed amortization period.

**ANSWER: Previously furnished to ORS by Bush River and/or DSI.**

1.35 During the test year, the period during construction and the period after construction, what items are included in the expense category “Other Operating Expense” and in what amounts?

**ANSWER: To be furnished later.**

1.36 Provide details and any documentation regarding the DHEC fines. For what reasons and in what amounts were the fines issued? How is the \$30,451, \$40,000 and the \$20,000 amount in the application determined? Provide a copy of the orders dictating the fines. What are there projected “DHEC fines” listed during construction and after construction? Does Midlands Utility, Inc. have any outstanding noted violations by DHEC? If so, what are they and provide a copy of the documentation by DHEC that outlines these potential violations.

**ANSWER: Consent orders previously furnished to ORS and no outstanding violations or DHEC fines anticipated.**

1.37 Provide justification for why the fines should be included as an allowable expense for Midlands Utility, Inc. in determining its rates for sewer service.

**ANSWER: All fines have been satisfied.**

1.38 Provide an income and expense calculation sheet for Midlands Utility, Inc.

**ANSWER: Previously furnished to the ORS auditors.**

1.39 What is the single family equivalent for Midlands Utility, Inc.? Provide details as to how this number is determined.

**ANSWER: See Exhibit 1.39.**

1.40 What expense are included in vehicle expenses? Explain why this amount increases during construction and after construction period. What type(s) of vehicles does this include?

**ANSWER: To be answered as soon as possible.**

1.41 Describe in detail the current liabilities comprising the \$58,111 in “notes payable” listed in Exhibit 3.

**ANSWER: To be answered as soon as possible.**

1.42 Provide justification for the life years of the property listed in the depreciation schedule in Exhibit 3.

**ANSWER: To be furnished as soon as possible.**

1.43 What “land” and “plant and equipment” listed in Exhibit 5 does Midlands Utility, Inc. own and where is it located? Indicate the years each was placed in service and its purchase price. Does this include the business office at 816 East Main Street in Lexington, South Carolina? Does it include other properties in Lexington County at SE/S of Fish Hatchery Road, S Side of Crosshill Road, property adjacent to 154 Parkwood Drive, property 0.1 mile NE of Nikon Circle; property in Orangeburg County on Oaklane Road N, property off Northwoods Drive in Dation Pond S/D; properties in Fairfield County; and properties in Richland County?

**ANSWER: To be furnished as soon as possible.**

1.44 Subsequent to the last rate case, has there been any change in the ownership of Midlands Utility, Inc.? If so, provide a listing of the owners of the Company. Was the change in ownership approved by the Commission? If so, please identify the docket in which the Commission addressed the change of ownership of the Company?

**ANSWER: Previously furnished to ORS by Bush River and/or DSI.**

1.45 List by year the total number of bills issued to customers during the years 2000, 2001, 2002, 2003 and 2004.

**ANSWER: See Exhibit 1.45.**

1.46 Provide a copy of the bank commitment letter to provide financing for construction project.

**ANSWER: Previously furnished to ORS by Bush River and/or DSI.**

1.47 List the Midlands Utility, Inc. assets pledged for the loan referenced in the Application.

**ANSWER: Previously furnished to ORS by Bush River and/or DSI.**

1.48 Provide the method of allocation for common expense between DSI, Bush River and Midlands?

**ANSWER: Previously furnished to ORS auditors.**

1.49 Provide a comparative statement and detailed work papers for expense categories and expenses by account number, including labor, for utility operations for the twelve-month periods ending June 30, 2000, 2001, 2002, 2003 and 2004.

**ANSWER: To be provided as soon as possible.**

1.50 Provide a comparative statement and detailed work papers for expense categories and expense by account number, excluding labor, for utility operations for the twelve-month periods ending June 30, 2000, 2001, 2002, 2003 and 2004.

**ANSWER: To be provided as soon as possible.**

1.51 Provide a copy of the loan agreement referenced in the Application on page 4, paragraph 8, its applicable amortization schedule, and any other relevant documentation.

**ANSWER: Previously furnished to ORS by Bush River and/or DSI.**

1.52 Provide a schedule showing when salaries of Midlands Utility, Inc. employees are paid and pay stubs for three consecutive pay periods for officers and staff.

**ANSWER: To be provided as soon as possible.**



1.53 Provide a schedule detailing the amount of bonuses received by Midlands Utility, Inc. officers, owners and employees during the test year.

**ANSWER: See Exhibit 1.53.**

1.54 Provide a depreciation schedule for all Midlands Utility, Inc. plant and equipment.

**ANSWER: See Exhibit 1.54.**

1.55 Provide the completed general accounting ledger for the 2004 test year.

**ANSWER: Provided to accounting auditors. Excessive amount of documentation received by them.**

1.56 Provide a schedule showing the number of billing units served by Bush River Utilities, Inc. at December 31, 2003 for the following:

- a. Residential (single family/apartments)
- b. Mobile Homes
- c. Car Washes
- d. Churches
- e. Factories (separated by those with no showers, with showers, and with kitchen facilities)
- f. Food Services Operations (separated by those that are not 24-hour restaurants, are 24-hour restaurants, provide curb-side service, serve fast-food, and are a vending machine restaurant)
- g. Institutions
- h. Motels/Hotels
- i. Nursing Homes (separated by those that do and do not provide laundry services)
- j. Laundries
- k. Offices
- l. Picnic Parks
- m. Assisted Living Homes (separated by those that do and do not provide laundry services)
- n. Schools
- o. Service Stations (separated by those with bays and without bays)
- p. Shopping Centers
- q. Swimming Pools
- r. Theaters
- s. Country Clubs, Fitness Centers, Spas, Health Clubs, and similar entities.
- t. Convenience Store
- u. All remaining customers not listed above.

**ANSWER: See Exhibit 1.56.**

1.57 Provide all work papers, documents, plats, maps, recordings or other items used to prepare the Application and its attached Exhibits.

**ANSWER: To be provided as soon as possible.**

1.58 Provide all documents discovered, identified or referred to by Midlands Utility, Inc. in preparation of the Application.

**ANSWER: All information identified to auditors and reflected by application exhibits.**

1.59 Provide all federal and state income tax returns signed and filed by Midlands Utility, Inc. for tax years 2000, 2001, 2002, 2003 and 2004. This request includes all supporting schedules and documents, such as 1099s, and the like, whether filed or not.

**ANSWER: See Exhibit 1.59.**

1.60 In Exhibit 3 on page 2, there is a reference to “New proposed Plants.” Provide detailed description and location of the “New proposed Plants”. Provide detailed information about the status of the necessary approval of the proposed plants (i.e., DHEC, local municipal approval, other state and federal approvals, etc.).

**ANSWER: PERs as designed to be furnished late.**

1.61 Provide justification of using the prescribed average life years of each of the items as outlined in Exhibit 3 on page 2.

**ANSWER: Exhibits furnished as late filings in Bush River Utilities, Inc. case previously provided to ORS.**

1.62 What months(s) and year(s) were used to determine the list of customers indicated in Exhibit 2, page 3 and 4?

**ANSWER: Undetermined at this time until recovery of records complete.**

1.63 Please provide a complete copy of the application Midlands Utility, Inc. filed with the DHEC for approval of the new construction or upgrades to the current system. Include any exhibits, drawings, maps, cost information, technical background information and any other documents relating to the application.

**ANSWER: To be furnished as soon as possible.**

1.64 Has DHEC approved the proposed construction or upgrades to Midlands Utility, Inc.? If so, provide documentation of DHEC’s approval. If not, has Midlands Utility, Inc. applied for approval? What is the current status of DHEC’s approval? What additional information does DHEC require to approve the proposed construction or

upgrades? Provide any documents or information given to DHEC relating to a request for approval of the proposed construction or upgrades. Provide an estimated date for when DHEC will approve the proposed construction or upgrades.

**ANSWER: Pending. DHEC is aware of the need for PER approvals on an expedited basis.**

1.65 What is the current status of Midlands Utility, Inc.'s compliance with DHEC Consent Orders, and specifically list penalty payments made in completion of Consent Order task?

**ANSWER: See Exhibit 1.65.**

1.66 Provide a copy of all contract terms and conditions for wastewater disposal with Treatment Providers listed on Exhibit 4, page 2.

**ANSWER: To be furnished as soon as possible.**

1.67 Provide all calculations and amounts for Bad Debt Expense for 2001, 2002, 2003 and 2004. Include calculation of how these amounts were determined.

**ANSWER: To be furnished as soon as possible.**

1.68 Explain what is meant by Mobile Base on Exhibit 4, page 2.

**ANSWER: A mobile base is to distinguish between mobile homes and a modular home.**

1.69 Provide the calculation for Plant Expansion and Modification fee of \$250/SFE (Exhibit 1, page 1). Explain in detail the services that are provided by this fee through the treatment entity.

**ANSWER: To be provided as soon as possible.**

1.70 Explain and provide detail cost justification for the increase in Tap Fees and Plant Expansion and Modification Fees on the New Rate Schedule in Exhibit 2, page 4.

**ANSWER: To be provided as soon as possible.**

1.71 How are tap fees recorded on the books of Midlands Utility, Inc.?

**ANSWER: See Exhibit 1.71.**

1.72 Was an open bidding process utilized to allow multiple vendors to submit proposals for upgrading the Midlands Utility, Inc. WWTFs? If so, what were the

proposals? Were multiple options considered before agreeing upon a specific proposal for addressing the compliance problems at Midlands Utility, Inc? If so, what were they?

**ANSWER: No.**

1.73 What is Other Income of \$28,806 as shown on Exhibit 2, page 1? Explain Other Income of \$18,000 during construction and after construction.

**ANSWER: To be provided as soon as possible.**

1.74 Provide details for amount “Due from Affiliates” of \$30,097.

**ANSWER: To be provided as soon as possible.**

1.75 Provide details for “Unamortized Loan Cost: of \$80,885.

**ANSWER: Previously furnished to ORS in rate filings for Bush River and DSI.**

1.76 Provide details for Customer Deposits of \$58,600. Does the Company pay interest on customer deposits?

**ANSWER: See Exhibit 1.76.**

1.77 Provide details for amount “Due to Affiliates” of \$1,683.

**ANSWER: To be determined and provided as soon as possible.**

1.78 Explain the difference between total prior depreciation of \$2,388,062 (Exhibit 3, page 2) and the amount shown on the balance sheet (Exhibit 3, page 1) of \$2,474,339.

**ANSWER: To be provided as soon as possible.**

1.79 How much revenue from plant expansion and modification fees has Midlands Utility, Inc. collected from customers?

**ANSWER: To be provided as soon as possible.**

1.80 Provide the details for treatment expenses of \$265,021 for the base year and \$376,000 during and after construction as shown on Exhibit 2, page 1.

**ANSWER: See Exhibit 1.80.**

1.81 Provide a detailed breakdown from the “Salaries – Officers” category containing the amount of \$55,192; \$75,000 and \$75,000 respectively on Exhibit 2, page 1. List the officers’ names and amounts paid.

**ANSWER: To be provided as soon as possible.**

1.82 Provide details of any and all lobbying activities conducted by or on behalf of the Company during the test year. List all entities lobbied, include all costs incurred in the lobbying activities, and include copies of invoices for lobbying services. Also specify for the test year the expense account in which lobbying services and expenses are included.

**ANSWER: See Exhibit 1.82.**

1.83 Has Midlands Utility, Inc. pursued alternative disposal methods (i.e., land application, recycled, etc.) for its sludge management method? If so, provide details of the alternatives explored. Include information about cost comparisons and other pertinent information for why an alternative was not selected or is not being used.

**ANSWER: No.**

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Scott Elliott, Esquire  
Charles H. Cook, Esquire  
Elliott & Elliott, P.A.  
721 Olive Street  
Columbia, SC 29205  
803-771-0555  
803-771-8010

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